

GAO

Testimony

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NATIONAL PREPAREDNESS

Integration of Federal, State,
Local, and Private Sector
Efforts Is Critical to an
Effective National Strategy for
Homeland Security

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Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to discuss issues critical to developing and coordinating a national strategy to better prepare our nation against terrorist events. Although we can never be 100 percent secure from terrorist attack, nor 100 percent prepared to respond to any contingency, we can be better prepared and more secure.

As you know, Mr. Chairman, federal, state, and local governments have a shared responsibility in preparing for catastrophic terrorist attacks. But the initial responsibility falls upon local governments and their organizations—such as police, fire departments, emergency medical personnel, and public health agencies—which will almost invariably be the first responders to such an occurrence. For its part, the federal government historically has provided leadership, training, and funding assistance. In the aftermath of the September 11th attacks, for instance, about one-quarter of the \$40 billion Emergency Response Fund was dedicated to homeland security, including funds to enhance state and local government preparedness.

Because the national security threat is diverse and complex and the challenge is highly intergovernmental, national policymakers must formulate strategies with a firm understanding of the interests, capacity, and challenges facing these governments. My comments today are based on a body of GAO's work on terrorism and emergency preparedness and policy options for the design of federal assistance,¹ as well as on our review of many other studies.²

In my testimony, I reiterate GAO's call, expressed in numerous reports and testimonies over the past years, for the development of a central focus and a national strategy that will improve national preparedness and enhance partnerships between federal, state and local governments to guard against and respond to terrorist attacks. The establishment of the Office of National Preparedness (ONP) under the Federal Emergency Management Agency (FEMA) and the establishment of the Office of Homeland Security (OHS) under the leadership of Governor Ridge are important and potentially significant initial steps. We recognize that the President, in his

¹ See attached listing of related GAO products.

² These studies include the Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction, *Third Annual Report (Arlington, VA: RAND, Dec. 15, 2001)* and the United States Commission on National Security/21st Century, *Road Map for Security: Imperative for Change*, February 15, 2001.

proposed 2003 budget, has announced that the OHS will propose such a national strategy later this year. As it comes together, we believe that key aspects of this strategy should include:

- A definition and clarification of the appropriate roles and responsibilities of federal, state, and local entities. Our previous work has found fragmentation and overlap among federal assistance programs. Over 40 federal entities have roles in combating terrorism, and past federal efforts have resulted in a lack of accountability, a lack of a cohesive effort, and duplication of programs. As state and local officials have noted, this situation has led to confusion, making it difficult to identify available federal preparedness resources and effectively partner with the federal government.
- Direction and guidance for federal agencies and partnerships with state and local governments, and the private sector to better coordinate their missions and more effectively contribute to the overarching homeland security effort.
- The establishment of goals and performance indicators to guide the nation's preparedness efforts. The Congress has long recognized the need to objectively assess the results of federal programs. For the nation's preparedness programs, however, outcomes of where the nation should be in terms of domestic preparedness have yet to be defined. Given the recent and proposed increases in preparedness funding as well as the need for real and meaningful improvements in preparedness, establishing clear goals and is critical to ensuring both a successful and a fiscally responsible effort. Identification of measurable performance indicators and accountability mechanisms are also needed to track progress toward these established goals. Policy makers must be provided with the information they need to make rational resource allocations, and program managers must have the data to effect continual improvements, measure progress, and to enforce accountability.
- A careful choice of the most appropriate tools of government to best implement the national strategy and achieve national goals. The choice and design of policy tools, such as grants, regulations, and partnerships, can enhance government's capacity to (1) target areas of highest risk to better ensure that scarce federal resources address the most pressing needs, (2) promote shared responsibilities by all parties, and (3) track and assess progress toward achieving national goals. Moreover, carefully constructed investment strategies are needed to make the most effective and appropriate use of the identified tools and limited fiscal and human capital resources, so that we can begin now to commit resources to those programs with longer lead times, such as research and development, that will deliver new tools to meet future and evolving threats. Such

investment strategies must assess not only the initial and direct costs, but also the secondary impacts such as restrictions on the free flow of commerce or impacts on civil liberties or other domestic programs due to funding cutbacks, so that policy makers are presented with the full range of information needed to make the difficult balancing decisions and program reprioritizations.

Since the attacks of September 11th, we have seen the nation unite and better coordinate preparedness efforts among federal, state, and local agencies, as well as among private businesses, community groups, and individual citizens. Our challenge now is to build upon this resolve to further improve our preparedness in a sustainable way that creates both short- and long-term benefits.

Background

National preparedness is a complex mission that involves a broad range of functions performed throughout government, including national defense, law enforcement, transportation, food safety and public health, information technology, and emergency management, to mention only a few. While only the federal government is empowered to wage war and regulate interstate commerce, state and local governments have historically assumed primary responsibility for managing emergencies through police, fire-fighting, and emergency medical personnel.

Because of such emergencies as natural disasters, hazardous material spills, and riots, all levels of government have had some experience in preparing for different types of disasters and emergencies. Preparing for all potential hazards is commonly referred to as the “all-hazards” approach. While terrorism is a component within an all-hazards approach, terrorist attacks potentially impose a new level of fiscal, economic, and social dislocation within this nation’s boundaries. Given the specialized resources that are necessary to address a chemical or biological attack, the range of governmental services that could be affected, and the vital role played by private entities in preparing for and mitigating risks, state and local resources alone will likely be insufficient to meet the terrorist threat.

Some of these specific challenges can be seen in the area of bioterrorism. For example, a biological agent released covertly might not be recognized for a week or more because symptoms may only appear several days after the initial exposure and may be misdiagnosed at first. In addition, some biological agents, such as smallpox, are communicable and can spread to others who were not initially exposed. These characteristics require

responses that are unique to bioterrorism, including health surveillance, epidemiologic investigation, laboratory identification of biological agents, and distribution of antibiotics or vaccines to large segments of the population to prevent the spread of an infectious disease. The resources necessary to undertake these responses are generally beyond state and local capabilities and would require assistance from and close coordination with the federal government.

The federal government's responsibilities in responding to a terrorist attack can be divided into two categories—crisis management and consequence management. Crisis management focuses on causes and involves activities to address the threat or occurrence of a terrorist incident. It is predominantly a law enforcement and intelligence function that includes measures to anticipate, prevent and resolve a threat or act of terrorism. The lead agency for crisis management is the Federal Bureau of Investigation (FBI). Consequence management addresses the effects of an incident on lives and property. It includes measures to protect public health and safety, treat persons injured, mitigate impacts, restore essential government services, and provide emergency relief to governments, businesses, and individuals affected by a terrorist incident. FEMA is the lead agency for consequence management.

The federal government's role in responding to major disasters is generally defined in the Stafford Act,³ which requires a finding that the disasters is so severe as to be beyond the capacity of state and local governments to respond effectively before major disaster or emergency assistance from the federal government is warranted. Once a disaster is declared, the federal government—through FEMA—may reimburse state and local governments for between 75 and 100 percent of eligible costs, including response and recovery activities.

There has been an increasing emphasis over the past decade on preparedness for terrorist events. After the nerve gas attack in the Tokyo subway system on March 20, 1995, and the Oklahoma City bombing on April 19, 1995, the United States initiated a new effort to combat terrorism. In June 1995, Presidential Decision Directive 39 was issued, enumerating responsibilities for federal agencies in combating terrorism, including domestic terrorism. Recognizing the vulnerability of the United States to various forms of terrorism, the Congress passed the Defense Against

³ *The Robert T. Stafford Disaster Relief and Emergency Assistance Act*, (P.L. 93-288) as amended establishes the process for states to request a presidential disaster declaration.

Weapons of Mass Destruction Act of 1996 (also known as the Nunn-Lugar-Domenici program) to train and equip state and local emergency services personnel who would likely be the first responders to a domestic terrorist event. Other federal agencies, including those in the Department of Justice, Department of Energy, FEMA and Environmental Protection Agency, have also developed programs to assist state and local governments in preparing for terrorist events.

The attacks of September 11, 2001, as well as the subsequent contamination of Americans with anthrax, dramatically exposed the nation's vulnerabilities to domestic terrorism and prompted numerous legislative proposals to further strengthen our preparedness and response. During the first session of the 107th Congress, several bills were introduced with provisions relating to state and local preparedness. For instance, the Preparedness Against Domestic Terrorism Act of 2001 proposes the establishment of a Council on Domestic Preparedness to enhance the capabilities of state and local emergency preparedness and response.

Funding for homeland security increased substantially after the attacks. According to documents supporting the president's fiscal year 2003 budget request, about \$19.5 billion in federal funding for homeland security was enacted in fiscal year 2002.³ The Congress added to this amount by passing an emergency supplemental appropriation of \$40 billion dollars.⁴ According to the budget request documents, about one-quarter of that amount, nearly \$9.8 billion, was dedicated to strengthening our defenses at home, resulting in an increase in total federal funding on homeland security of about 50 percent, to \$29.3 billion. Table 1 compares fiscal year 2002 funding for homeland security by major categories with the president's proposal for fiscal year 2003.

³ "Securing the Homeland, Strengthening the Nation." For the complete document, see the Web site: http://www.whitehouse.gov/homeland/homeland_security_book.html

⁴ 2001 *Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States*, (P.L. 107-38).

Table 1: Homeland Security by Major Funding Categories for Fiscal Year 2002 and Proposed for Fiscal Year 2003

Dollars in millions

Major funding category	FY2002 enacted	Emergency supplemental	FY2002 total	The president's FY2003 budget request
Supporting first responders	\$291	\$651	\$942	\$3,500
Defending against biological terrorism	1,408	3,730	5,138	5,898
Securing America's borders	8,752	1,194	9,946	10,615
Using 21st century technology for homeland security	155	75	230	722
Aviation security	1,543	1,035	2,578	4,800
DOD homeland security	4,201	689	4,890	6,815
Other non-DOD homeland security	3,186	2,384	5,570	5,352
Total	\$19,536	\$9,758	\$29,294	\$37,702

Source: FY 2003 president's budget document, "Securing the Homeland, Strengthening the Nation."

More recently, on March 12, 2002, OHS announced a new warning system, the Homeland Security Advisory System that is intended to tailor notification of the appropriate level of vigilance, preparedness and readiness in a series of graduated threat conditions. This new warning system includes five levels of alert for assessing the threat of possible terrorist attacks: low, guarded, elevated, high, and severe. These levels are also represented by five corresponding colors: green, blue, yellow, orange, and red. When the announcement was made, the nation stood in the yellow condition, in elevated risk. The warning can be upgraded for the entire country or for specific regions and economic sectors, such as the nuclear industry.

The system is intended to address a problem with the previous blanket warning system that was used. After September 11th, the federal government issued four general warnings about possible terrorist attacks, directing federal and local law enforcement agencies to place themselves on the "highest alert." However, government and law enforcement officials, particularly at the state and local levels, complained that general warnings were too vague and a drain on resources, and provided insufficient guidance on what additional protective measure should be undertaken. To obtain views on the new warning system from all levels of government, law enforcement, and the public, the Attorney General, who will be responsible for the system, provided a 45-day comment period from the announcement of the new system on March 12th. This provides an opportunity for state and local governments as well as the private sector to comment on the usefulness of the new warning system, and the

appropriateness of the five threat conditions with associated suggested protective measures.

A National Strategy Is Needed to Guide Our Preparedness Efforts

We have tracked and analyzed federal programs to combat terrorism for many years and have repeatedly called for the development of a national strategy for preparedness. We have not been alone in this message; for instance, national commissions, such as the Gilmore Commission, and other national associations, such as the National Emergency Management Association and the National Governors Association, have advocated the establishment of a national preparedness strategy. The attorney general's Five-Year Interagency Counterterrorism Crime and Technology Plan, issued in December 1998, represents one attempt to develop a national strategy on combating terrorism. This plan entailed a substantial interagency effort and could potentially serve as a basis for a national preparedness strategy. However, we found it lacking in two critical elements necessary for an effective strategy: (1) measurable outcomes and (2) identification of state and local government roles in responding to a terrorist attack.⁵

In October 2001, the president established the OHS as a focal point with a mission to develop and coordinate the implementation of a comprehensive national strategy to secure the United States from terrorist threats or attacks. While this action represents a potentially significant step, the role and effectiveness of the OHS in setting priorities, interacting with agencies on program development and implementation, and developing and enforcing overall federal policy in terrorism-related activities is in the formative stages.

The emphasis needs to be on a national rather than a purely federal strategy. We have long advocated the involvement of state, local, and private-sector stakeholders in a collaborative effort to arrive at national goals. The success of a national preparedness strategy relies on the ability of all levels of government and the private sector to communicate and cooperate effectively with one another. To develop this essential national strategy, the federal role needs to be considered in relation to other levels of government, the goals and objectives for preparedness, and the most appropriate tools to assist and enable other levels of government and the

⁵ See U.S. General Accounting Office, *Combating Terrorism: Linking Threats to Strategies and Resources*, [GAO/T-NSIAD-00-218](#) (Washington, D.C.: July 26, 2000).

private sector to achieve these goals.⁶ Indeed, our ongoing work for this subcommittee indicates that federal agencies, state and local governments, and the private sector are looking for guidance from the OHS on how to better coordinate their missions and more effectively contribute to the overarching homeland security effort.

Roles and Missions of Federal, State, Local, and Private Entities Need to Be Clarified

Although the federal government appears monolithic to many, in the area of terrorism prevention and response, it has been anything but. More than 40 federal entities have a role in combating and responding to terrorism, and more than 20 federal entities in bioterrorism alone. One of the areas that the OHS will be reviewing is the coordination among federal agencies and programs.

Concerns about coordination and fragmentation in federal preparedness efforts are well founded. Our past work, conducted prior to the creation of the OHS, has shown coordination and fragmentation problems stemming largely from a lack of accountability within the federal government for terrorism-related programs and activities. There had been no single leader in charge of the many terrorism-related functions conducted by different federal departments and agencies. In fact, several agencies had been assigned leadership and coordination functions, including the Department of Justice, the Federal Bureau of Investigation, FEMA, and the Office of Management and Budget. We previously reported that officials from a number of agencies that combat terrorism believe that the coordination roles of these various agencies are not always clear. The recent Gilmore Commission report expressed similar concerns, concluding that the current coordination structure does not provide the discipline necessary among the federal agencies involved.

In the past, the absence of a central focal point resulted in two major problems. The first of these is a lack of a cohesive effort from within the federal government. For example, the Department of Agriculture, the Food and Drug Administration, and the Department of Transportation have been overlooked in bioterrorism-related policy and planning, even though these organizations would play key roles in response to terrorist acts. In this regard, the Department of Agriculture has been given key responsibilities

⁶ Another important aspect of enhancing state and local preparedness is risk management. Risk management is an important tool for prioritizing limited resources in the face of uncertain threats. For more information on risk management, see U.S. General Accounting Office, *Homeland Security: Risk Management Can Help Us Defend Against Terrorism*, GAO-02-208T (Washington, D.C.: October 31, 2001).

to carry out in the event that terrorists were to target the nation's food supply, but the agency was not consulted in the development of the federal policy assigning it that role. Similarly, the Food and Drug Administration was involved with issues associated with the National Pharmaceutical Stockpile, but it was not involved in the selection of all items procured for the stockpile. Further, the Department of Transportation has responsibility for delivering supplies under the Federal Response Plan, but it was not brought into the planning process and consequently did not learn the extent of its responsibilities until its involvement in subsequent exercises.

Second, the lack of leadership has resulted in the federal government's development of programs to assist state and local governments that were similar and potentially duplicative. After the terrorist attack on the federal building in Oklahoma City, the federal government created additional programs that were not well coordinated. For example, FEMA, the Department of Justice, the Centers for Disease Control and Prevention, and the Department of Health and Human Services all offer separate assistance to state and local governments in planning for emergencies. Additionally, a number of these agencies also condition receipt of funds on completion of distinct but overlapping plans. Although the many federal assistance programs vary somewhat in their target audiences, the potential redundancy of these federal efforts warrants scrutiny. In this regard, we recommended in September 2001 that the President work with the Congress to consolidate some of the activities of the Department of Justice's Office for State and Local Domestic Preparedness Support under FEMA.⁷

State and local response organizations believe that federal programs designed to improve preparedness are not well synchronized or organized. They have repeatedly asked for a one-stop "clearinghouse" for federal assistance. As state and local officials have noted, the multiplicity of programs can lead to confusion at the state and local levels and can expend precious federal resources unnecessarily or make it difficult for them to identify available federal preparedness resources. As the Gilmore Commission report notes, state and local officials have voiced frustration about their attempts to obtain federal funds and have argued that the application process is burdensome and inconsistent among federal agencies.

⁷ U.S. General Accounting Office, *Combating Terrorism: Selected Challenges and Related Recommendations*, GAO-01-822 (Washington, D.C.: September 20, 2001).

A number of steps, however, have been taken to reduce duplication and improve coordination. For instance, the National Security Council established an interagency working group on Assistance to State and Local Authorities to review and guide weapons of mass destruction training and equipment programs. The Department of Justice has set up a centralized scheduling desk to help manage the many training and exercise activities in which state and local governments participate.

Despite these and other changes, state and local officials have expressed concerns about duplication and overlap among federal programs for weapons of mass destruction training and other related courses. Some officials said that the number of federal organizations involved in weapons of mass destruction training creates confusion about which federal organization is in charge of the training. As we noted in our September 2001 report, a representative of the International Association of Fire Chiefs testified that in a number of jurisdictions federal efforts which are by themselves valuable, would benefit greatly from an increased level of coordination and accountability.⁸ According to the association, efforts that may be duplicative or worse, contradictory, lead to confusion at the local level and expend precious federal resources unnecessarily. The association said efforts underway at the federal, state, and local levels of government ought to be better synchronized for the benefit of public safety.

Recognizing that many federal programs offer training, planning, and assistance to first responders and that to be fully effective these programs need to be integrated and harmonious, the president, on May 8, 2001, tasked FEMA with establishing the Office of National Preparedness (ONP). The mission of the ONP is to provide leadership in the coordination and facilitation of all federal programs dealing with weapons of mass destruction consequence management within the Departments of Defense, Health and Human Services, Justice, and Energy, the Environmental Protection Agency, and other federal agencies. Further, ONP is to assist state and local first responders (including firefighters, law enforcement, and emergency medical services) and emergency management organizations with planning, equipment, training, and exercises to build and sustain the capability to respond to any emergency or disaster, including a terrorist incident.

⁸ U.S. General Accounting Office, *Combating Terrorism: Selected Challenges and Related Recommendations*, GAO-01-822 (Washington, D.C.: September 20, 2001).

As we noted in September 2001, we believe the establishment of ONP is a positive development for three reasons.⁹ The first reason is that FEMA—as the lead agency for consequence management and preparing state and local governments for weapons of mass destruction terrorism—is the most logical agency to coordinate these functions. The second reason is that the announcement, coming from the president, clearly puts FEMA in the lead for this government matter. Finally, we believe the creation of the new ONP within FEMA provides the opportunity to consolidate certain programs or offices currently run by the Department of Justice and the FBI. However, the Department of Justice and the FBI would retain their law enforcement and investigative roles and responsibilities.

The president’s fiscal year 2003 budget request proposes to further increase ONP’s responsibilities. The president has requested that FEMA receive \$3.5 billion to administer the First Responder Initiative. Grants under this proposed initiative will be for the first responder community—firefighters, police officers, and emergency medical personnel—to purchase equipment, train their personnel and prepare for a weapons of mass destruction/terrorist incident. In addition, the proposed initiative is intended to support a coordinated, regular exercise program to improve response capabilities, assess operational improvements and deficiencies, and practice mutual aid. Mutual aid recognizes the need to augment, foster and maintain what particular governments do best, what the private sector and the local communities do best, and integrate these efforts through our national strategy.

State, Local, and Private Entities Seek Both Direction From and Partnership With OHS

Mr. Chairman, as you know, we have been examining the issues of definitions, and agency roles and missions in homeland security in response to a May 2001 request from Mr. Costello and yourself. We plan to issue a report to you later this year. From this analysis, we have identified issues regarding the coordination of federal, state, local, and private sector homeland security efforts. I will provide you with our preliminary observations now.

Our ongoing work indicates that federal agencies, state and local governments, and the private sector are looking for guidance from OHS on how to better integrate their missions and more effectively contribute to

⁹ U.S. General Accounting Office, *Combating Terrorism: Selected Challenges and Related Recommendations*, GAO-01-822 (Washington, D.C.: September 20, 2001).

the overarching homeland security effort. In interviews with officials at more than a dozen federal agencies, we found that a broadly accepted definition of homeland security did not exist. Some of these officials believed that it was essential that the concept and related terms be defined, particularly because homeland security initiatives are crosscutting, and a clear definition promotes a common understanding of operational plans and requirements and can help avoid duplication of effort and gaps in coverage. Common definitions promote more effective agency and intergovernmental operations and permit more accurate monitoring of homeland security expenditures at all levels of government. OHS may establish such a definition. Moreover, the Office of Management and Budget (OMB) believes a single definition of homeland security can be used to enforce budget discipline. In addition, although some agencies are looking to the OHS for guidance on how their agencies should be integrated into the overall security effort and to explain what else they should be doing beyond their traditional missions, they also want their viewpoints incorporated as this guidance evolves. For example, an official at the Centers for Disease Control and Prevention (CDC) saw OHS as both providing leadership and getting "everyone to the table" to facilitate a common understanding of roles and responsibilities.

State officials told us that they also seek additional clarity on how they can best participate in the planned national strategy for homeland security. The planned national strategy should identify additional roles for state and local governments, but the National Governor's Association made clear to us that governments oppose mandated participation and prefer broad guidelines or benchmarks.

State officials were also concerned about the cost of assuming additional responsibilities, and they plan to rely on the federal government for funding assistance. The National Governors Association estimates fiscal year 2002 state budget shortfalls of between \$40 billion and \$50 billion, making it increasingly difficult for the states to take on expensive, new homeland security initiatives without federal assistance. As we address the state fiscal issues through grants and other tools, we must (1) consider targeting the funds to states and localities with the greatest need, (2) discourage the replacement of state and local funds with federal funds, and (3) strike a balance between accountability and flexibility.

State and local governments believe that to function as partners in homeland security they need better access to threat information. Officials at the National Emergency Management Association, which represents state and local emergency management personnel, stated that such personnel experienced problems receiving critical intelligence information

and that this hampered their ability to help preempt terrorists before they strike. According to these officials, certain state or local emergency management personnel, emergency management directors, and certain fire and police chiefs hold security clearances granted by the FEMA; however, other federal agencies, such as the FBI, do not recognize these clearances. Moreover, the National Governor's Association said that intelligence sharing is a problem between the federal government and the states. The association explained that most governors do not have a security clearance and, therefore, do not receive classified threat information, potentially impacting their ability to effectively use the National Guard and hampering their emergency preparedness capability. On the other hand, we were told that local FBI offices in most states have a good relationship with the emergency management community and at times shared sensitive information under certain circumstances.

The private sector is also concerned about costs, but in the context of new regulations to promote security. Officials from associations representing the banking, electrical energy, and transportation sectors expressed the conviction that their member companies desire to fully participate as partners in homeland security programs. These associations represent major companies that own infrastructure critical to the functioning of our nation's economy. For example, the North American Electric Reliability Council is the primary point of contact with the federal government on issues relating to the security of the nation's electrical infrastructure. It has partnered with the FBI and the Department of Energy (DOE) to establish threat levels that they in turn share with utility companies within their organization. Such partnerships are essential, but the private sector may be reluctant to embrace them because of concern over new and excessive regulation, although their assets might be better protected. According to National Industrial Transportation League officials, for example, transport companies express a willingness to adopt prudent security measures such as increased security checks in loading areas and security checks for carrier drivers. However, the league is concerned that the cost of additional layers of security could cripple their ability to conduct business and felt that a line has to be drawn between security and the openness needed to conduct business.

If it is to be comprehensive, a national strategy should address many of these issues.

Performance and Accountability Measures Need to Be Included in National Strategy

Numerous discussions have been held about the need to enhance the nation's preparedness, but national preparedness goals and measurable performance indicators have not yet been developed. These are critical components for assessing program results. In addition, the capability of state and local governments to respond to catastrophic terrorist attacks is uncertain.

At the federal level, measuring results for federal programs has been a longstanding objective of the Congress. The Congress enacted the Government Performance and Results Act of 1993 (commonly referred to as the Results Act). The legislation was designed to have agencies focus on the performance and results of their programs rather than on program resources and activities, as they had done in the past. Thus, the Results Act became the primary legislative framework through which agencies are required to set strategic and annual goals, measure performance, and report on the degree to which goals are met. The outcome-oriented principles of the Results Act include (1) establishing general goals and quantifiable, measurable, outcome-oriented performance goals and related measures; (2) developing strategies for achieving the goals, including strategies for overcoming or mitigating major impediments; (3) ensuring that goals at lower organizational levels align with and support general goals; and (4) identifying the resources that will be required to achieve the goals.

A former assistant professor of public policy at the Kennedy School of Government, now the senior director for policy and plans with the OHS, noted in a December 2000 paper that a preparedness program lacking broad but measurable objectives is unsustainable.¹⁰ This is because it deprives policymakers of the information they need to make rational resource allocations, and program managers are prevented from measuring progress. He recommended that the government develop a new statistical index of preparedness,¹¹ incorporating a range of different variables, such as quantitative measures for special equipment, training programs, and medicines, as well as professional subjective assessments of the quality of local response capabilities, infrastructure, plans, readiness, and performance in exercises. Therefore, he advocated that the index should go well beyond the current rudimentary milestones of

¹⁰ Richard A. Falkenrath, *The Problems of Preparedness: Challenges Facing the U. S. Domestic Preparedness Program* (Cambridge, Mass: John F. Kennedy School of Government, Harvard University, December 2000).

¹¹It was recommended that this index be classified so as to avoid calling attention to the country's most vulnerable areas.

program implementation, such as the amount of training and equipment provided to individual cities. The index should strive to capture indicators of how well a particular city or region could actually respond to a serious terrorist event. This type of index, according to this expert, would then allow the government to measure the preparedness of different parts of the country in a consistent and comparable way, providing a reasonable baseline against which to measure progress.

In October 2001, FEMA's director recognized that assessments of state and local capabilities have to be viewed in terms of the level of preparedness being sought and what measurement should be used for preparedness. The director noted that the federal government should not provide funding without assessing what the funds will accomplish. Moreover, the president's fiscal year 2003 budget request for \$3.5 billion through FEMA for first responders—local police, firefighters, and emergency medical professionals—provides that these funds be accompanied by a process for evaluating the effort to build response capabilities, in order to validate that effort and direct future resources.

FEMA has developed an assessment tool that could be used in developing performance and accountability measures for a national strategy. To ensure that states are adequately prepared for a terrorist attack, FEMA was directed by the Senate Committee on Appropriations to assess states' response capabilities. In response, FEMA developed a self-assessment tool—the Capability Assessment for Readiness (CAR)—that focuses on 13 key emergency management functions, including hazard identification and risk assessment, hazard mitigation, and resource management. However, these key emergency management functions do not specifically address public health issues. In its fiscal year 2001 CAR report, FEMA concluded that states were only marginally capable of responding to a terrorist event involving a weapon of mass destruction. Moreover, the president's fiscal year 2003 budget proposal acknowledges that our capabilities for responding to a terrorist attack vary widely across the country. Many areas have little or no capability to respond to a terrorist attack that uses weapons of mass destruction. The budget proposal further adds that even the best prepared states and localities do not possess adequate resources to respond to the full range of terrorist threats we face.

Proposed standards have been developed for state and local emergency management programs by a consortium of emergency managers from all levels of government and are currently being pilot tested through the Emergency Management Accreditation Program at the state and local levels. Its purpose is to establish minimum acceptable performance

criteria by which emergency managers can assess and enhance current programs to mitigate, prepare for, respond to, and recover from disasters and emergencies. For example, one such standard is the requirement that (1) the program must develop the capability to direct, control, and coordinate response and recovery operations, (2) that an incident management system must be utilized, and (3) that organizational roles and responsibilities shall be identified in the emergency operational plans.

Although FEMA has experience in working with others in the development of assessment tools, it has had difficulty in measuring program performance. As the president's fiscal year 2003 budget request acknowledges, FEMA generally performs well in delivering resources to stricken communities and disaster victims quickly. The agency performs less well in its oversight role of ensuring the effective use of such assistance. Further, the agency has not been effective in linking resources to performance information. FEMA's Office of Inspector General has found that FEMA did not have an ability to measure state disaster risks and performance capability, and it concluded that the agency needed to determine how to measure state and local preparedness programs.

FEMA's ONP director stated that the nation needs to decide where we want to be this year in terms of preparedness, and, where we want to be three years from now. The next step is to develop measurable performance goals and standards to see if the desired level is met. However, FEMA recognizes that objective and measurable performance standards do not currently exist. Therefore, FEMA plans to request funds in the fiscal year 2004 budget, or in a budget supplemental prior to fiscal year 2004 for the purpose of developing measurable performance standards.

Appropriate Tools Need to Be Selected for Designing Assistance

Since September 11th, many state and local governments have faced declining revenues and increased security costs. A survey of about 400 cities conducted by the National League of Cities reported that since September 11th, one in three American cities saw their local economies, municipal revenues, and public confidence decline while public-safety spending is up. Further, the National Governors Association estimates fiscal year 2002 state budget shortfalls of between \$40 billion and \$50 billion, making it increasingly difficult for the states to take on expensive, new homeland security initiatives without federal assistance. State and local revenue shortfalls coupled with increasing demands on resources makes it more critical that federal programs be designed carefully to

match the priorities and needs of all partners—federal, state, local and private.

Our previous work on federal programs suggests that the choice and design of policy tools have important consequences for performance and accountability. Governments have at their disposal a variety of policy instruments, such as grants, regulations, tax incentives, and regional coordination and partnerships, that they can use to motivate or mandate other levels of government and private-sector entities to take actions to address security concerns.

The design of federal policy will play a vital role in determining success and ensuring that scarce federal dollars are used to achieve critical national goals. Key to the national effort will be determining the appropriate level of funding so that policies and tools can be designed and targeted to elicit a prompt, adequate, and sustainable response while also protecting against federal funds being used to substitute for spending that would have occurred anyway.

Grants

The federal government often uses grants to state and local governments as a means of delivering federal programs. Categorical grants typically permit funds to be used only for specific, narrowly defined purposes. Block grants typically can be used by state and local governments to support a range of activities aimed at achieving a broad national purpose and to provide a great deal of discretion to state and local officials. Either type of grant can be designed to (1) target the funds to states and localities with the greatest need, (2) discourage the replacement of state and local funds with federal funds, commonly referred to as “supplantation,” with a maintenance-of-effort requirement that recipients maintain their level of previous funding, and (3) strike a balance between accountability and flexibility. More specifically:

- **Targeting:** The formula for the distribution of any new grant could be based on several considerations, including the state or local government’s capacity to respond to a disaster. This capacity depends on several factors, the most important of which perhaps is the underlying strength of the state’s tax base and whether that base is expanding or is in decline. In an August 2001 report on disaster assistance, we recommended that the director of FEMA consider replacing the per-capita measure of state capability with a more sensitive measure, such as the amount of a state’s total taxable resources, to assess the capabilities of state and local

governments to respond to a disaster.¹² Other key considerations include the level of need and the costs of preparedness.

- **Maintenance of effort:** In our earlier work, we found that substitution is to be expected in any grant and, on average, every additional federal grant dollar results in about 60 cents of supplantation.¹³ We found that supplantation is particularly likely for block grants supporting areas with prior state and local involvement. Our recent work on the Temporary Assistance to Needy Families block grant found that a strong maintenance of effort provision limits states' ability to supplant.¹⁴ Recipients can be penalized for not meeting a maintenance-of-effort requirement.
- **Balance accountability and flexibility:** Experience with block grants shows that such programs are sustainable if they are accompanied by sufficient information and accountability for national outcomes to enable them to compete for funding in the congressional appropriations process. Accountability can be established for measured results and outcomes, permitting greater flexibility in how funds are used while at the same time ensuring some national oversight.

Grants previously have been used for enhancing preparedness and recent proposals direct new funding to local governments. In recent discussions, local officials expressed their view that federal grants would be more effective if local officials were allowed more flexibility in the use of funds. They have suggested that some funding should be allocated directly to local governments. They have expressed a preference for block grants, which would distribute funds directly to local governments for a variety of security-related expenses.

Recent funding proposals, such as the \$3.5 billion block grant for first responders contained in the president's fiscal year 2003 budget, have included some of these provisions. This matching grant would be administered by FEMA, with 25 percent being distributed to the states based on population. The remainder would go to states for pass-through to local jurisdictions, also on a population basis, but states would be given the discretion to determine the boundaries of sub-state areas for such a

¹² U.S. General Accounting Office, *Disaster Assistance: Improvement Needed in Disaster Declaration Criteria and Eligibility Assurance Procedures*, GAO-01-837 (Washington, D.C.: August 31, 2001).

¹³ U.S. General Accounting Office, *Federal Grants: Design Improvements Could Help Federal Resources Go Further*, GAO-AIMD-97-7 (Washington, D.C.: December 18, 1996).

¹⁴ U.S. General Accounting Office, *Welfare Reform: Challenges in Maintaining a Federal-State Fiscal Partnership*, GAO-01-828 (Washington, D.C.: August 10, 2001).

pass-through—that is, a state could pass through the funds to a metropolitan area or to individual local governments within such an area. Although the state and local jurisdictions would have discretion to tailor the assistance to meet local needs, it is anticipated that more than one-third of the funds would be used to improve communications; an additional one-third would be used to equip state and local first responders, and the remainder would be used for training, planning, technical assistance, and administration.

Regulations

Federal, state and local governments share authority for setting standards through regulations in several areas, including infrastructure and programs vital to preparedness (for example, highways, water systems, public health). In designing regulations, key considerations include how to provide federal protections, guarantees, or benefits while preserving an appropriate balance between federal and state and local authorities and between the public and private sectors (for example, for chemical and nuclear facilities). In designing a regulatory approach, the challenges include determining who will set the standards and who will implement or enforce them. Five models of shared regulatory authority are:

- Fixed federal standards that preempt all state regulatory action in the subject area covered;
- Federal minimum standards that preempt less stringent state laws but permit states to establish standards that are more stringent than the federal;
- Inclusion of federal regulatory provisions not established through preemption in grants or other forms of assistance that states may choose to accept;
- Cooperative programs in which voluntary national standards are formulated by federal and state officials working together;
- Widespread state adoption of voluntary standards formulated by quasi-official entities.

Any one of these shared regulatory approaches could be used in designing standards for preparedness. The first two of these mechanisms involve federal preemption. The other three represent alternatives to preemption. Each mechanism offers different advantages and limitations that reflect some of the key considerations in the federal-state balance.

Tax Incentives

To the extent that private entities will be called upon to improve security over dangerous materials or to protect vital assets, the federal government can use tax incentives to encourage and enforce their activities. Tax incentives are the result of special exclusions, exemptions, deductions,

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credits, deferrals, or tax rates in the federal tax laws. Unlike grants, tax incentives do not generally permit the same degree of federal oversight and targeting, and they are generally available by formula to all potential beneficiaries who satisfy congressionally established criteria.

Promoting partnerships between critical actors (including different levels of government and the private sector) facilitates the maximizing of resources and also supports coordination on a regional level. Partnerships could encompass federal, state, and local governments working together to share information, develop communications technology, and provide mutual aid. The federal government may be able to offer state and local governments assistance in certain areas, such as risk management and intelligence sharing. In turn, state and local governments have much to offer in terms of knowledge of local vulnerabilities and resources, such as local law enforcement personnel, available to respond to threats in their communities.

Since the events of September 11th, a task force of mayors and police chiefs has called for a new protocol governing how local law enforcement agencies can assist federal agencies, particularly the FBI, given the information needed to do so. As the United States Conference of Mayors noted, a close working partnership of local and federal law enforcement agencies, which includes the sharing of intelligence, will expand and strengthen the nation's overall ability to prevent and respond to domestic terrorism. The USA Patriot Act provides for greater sharing of intelligence among federal agencies. An expansion of this act has been proposed (S1615, H.R. 3285) that would provide for information sharing among federal, state and local law enforcement agencies. In addition, the Intergovernmental Law Enforcement Information Sharing Act of 2001 (H.R. 3483) addresses a number of information sharing needs. For instance, this proposed legislation provides that the Attorney General expeditiously grant security clearances to Governors who apply for them, and state and local officials who participate in federal counter-terrorism working groups or regional terrorism task forces.

Local officials have emphasized the importance of regional coordination. Regional resources, such as equipment and expertise, are essential because of proximity, which allows for quick deployment, and experience in working within the region. Large-scale or labor-intensive incidents quickly deplete a given locality's supply of trained responders. Some cities have spread training and equipment to neighboring municipal areas so that their mutual aid partners can help. These partnerships afford economies of scale across a region. In events that require a quick response, such as a

chemical attack, regional agreements take on greater importance because many local officials do not think that federal and state resources can arrive in sufficient time to help.

Mutual aid agreements provide a structure for assistance and for sharing resources among jurisdictions in response to an emergency. Because individual jurisdictions may not have all the resources they need to respond to all types of emergencies, these agreements allow for resources to be deployed quickly within a region. The terms of mutual aid agreements vary for different services and different localities. These agreements may provide for the state to share services, personnel, supplies, and equipment with counties, towns, and municipalities within the state, with neighboring states, or, in the case of states bordering Canada, with jurisdictions in another country. Some of the agreements also provide for cooperative planning, training, and exercises in preparation for emergencies. Some of these agreements involve private companies and local military bases, as well as local government entities. Such agreements were in place for the three sites that were involved on September 11th— New York City, the Pentagon, and a rural area of Pennsylvania—and provide examples of some of the benefits of mutual aid agreements and of coordination within a region.

With regard to regional planning and coordination, there may be federal programs that could provide models for funding proposals. In the 1962 Federal-Aid Highway Act, the federal government established a comprehensive cooperative process for transportation planning. This model of regional planning continues today under the Transportation Equity Act for the 21st century (TEA-21, originally ISTEA) program. This model emphasizes the role of state and local officials in developing a plan to meet regional transportation needs. Metropolitan Planning Organizations (MPOs) coordinate the regional planning process and adopt a plan, which is then approved by the state.

Mr. Chairman, in conclusion, it is clear that a long-term effort will be required to effectively combat terrorism and to become better prepared and more secure. Thus, our national strategy must be both affordable, initially, and sustainable over the years ahead. Everyone cannot do everything, and everyone cannot and should not do the same things. Instead we must augment, foster, develop, and maintain what particular governments do best, and through our national strategy integrate these actions with what the private sector and our local communities do best. As increasing demands are placed on budgets at all levels of government, it will be necessary to make sound choices to maintain fiscal stability. All

levels of government and the private sector will have to communicate and cooperate effectively with each other across a broad range of issues to develop a national strategy to better target available resources to address the urgent national preparedness needs. Involving all levels of government and the private sector in developing key aspects of a national strategy that I have discussed today - a definition and clarification of the appropriate roles and responsibilities, an establishment of goals and performance measures, and a selection of appropriate tools—is essential to the successful formulation of the national preparedness strategy and ultimately to preparing and defending our nation from terrorist attacks.

Only through such coordinated involvement, can we assess two critical questions: (1) How secure and prepared are we? and (2) How secure and prepared should we be?

This completes my prepared statement. I would be pleased to respond to any questions you or other members of the Subcommittee may have.

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